



Audit Report



Management of the Fleet Credit Card Program

N2003-0094

29 September 2003

Obtaining Additional Copies

To obtain additional copies of this report, please use the following contact information:

Phone: (202) 433-5525 (DSN 288)

Fax: (202) 433-5880

Email: NAVAUDSVC.FOIA@navy.mil

Mail: Naval Audit Service
Attn: FOIA
1006 Beatty Place SE
Washington Navy Yard DC 20374-5005

Providing Suggestions for Future Audits

To suggest ideas for or to request future audits, please use the following contact information:

Phone: (202) 433-5706 (DSN 288)

Fax: (202) 433-5879

Email: NAVAUDSVC.AuditPlan@navy.mil

Mail: Naval Audit Service
Attn: Audit Requests
1006 Beatty Place SE
Washington Navy Yard DC 20374-5005

Naval Audit Service Web Site

To find out more about the Naval Audit Service, including general background, and guidance on what clients can expect when they become involved in research or an audit, visit our Web site at:

<http://www.hq.navy.mil/navalaudit>



DEPARTMENT OF THE NAVY
NAVAL AUDIT SERVICE
1006 BEATTY PLACE SE
WASHINGTON NAVY YARD, DC 20374-5005

7540/2001-0169
29 Sep 03

MEMORANDUM FOR COMMANDER, NAVAL FACILITIES ENGINEERING
COMMAND
DIRECTOR, DON eBUSINESS OPERATIONS OFFICE

Subj: **MANAGEMENT OF THE FLEET CREDIT CARD PROGRAM
(N2003-0094)**

Ref: (a) SECNAV Instruction 7510.7E, "Department of the Navy Internal Audit"

1. We have completed the subject audit in accordance with reference (a). This report focuses on the Navy's use of Fleet Credit Cards for gasoline purchases. Our findings and recommendations, management's responses, and our comments are in [Section B](#) of the report. [Section C](#) provides the status of the recommendations. The report's [Appendices](#) contain management's verbatim responses to our recommendations.

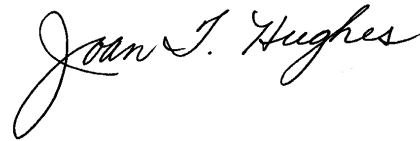
2. The Commander, Naval Facilities Engineering Command (NAVFAC) provided responses to our recommendations and stated that corrective actions would be taken on all recommendations. However, since NAVFAC is now in the final stages of transferring central management responsibility for the Fleet Credit Card Program to the eBusiness Operations Office (EBUSOP), NAVFAC coordinated its responses with the EBUSOP. NAVFAC and EBUSOP have informed us that the EBUSOP will be responsible for implementing the corrective actions described in the NAVFAC response for Recommendations 1, 2, and 3, and that NAVFAC will be responsible for Recommendation 4.

3. We evaluated NAVFAC's responses and the corrective actions EBUSOP plans to implement and considered all to be concurrences. Because the corrective actions are planned for the future, we consider all of the recommendations to be open. Open recommendations are subject to monitoring in accordance with reference (a). NAVFAC and EBUSOP should provide a written status report on the implementation of the recommendations either upon completion of agreed-to actions or within 30 days after the target completion date. All correspondence should be provided in electronic format (Word or Adobe Acrobat file), and addressed to the Assistant Auditor General for Installations and Environment Audits, Mrs. Joan T. Hughes, Joan.Hughes@navy.mil, with a copy to the Assistant Auditor General for Strategic Sourcing and Resources Management representative (SSR-022), Rhonda.Goveia@navy.mil. Please ensure that the electronic version is on letterhead and includes a scanned signature.

Subj: **MANAGEMENT OF THE FLEET CREDIT CARD PROGRAM**
(N2003-0094)

4. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy. In accordance with reference (a), this audit may be selected for a follow-up audit.

5. We appreciate the cooperation and courtesies extended to our auditors during the audit.



JOAN T. HUGHES
Assistant Auditor General
Installations & Environment Audits

Copy to:
UNSECNAV
General Counsel
DNS
ASN (M&RA)
ASN (FM&C)
ASN (FM&C) (FMO)
ASN (I&E)
ASN (RD&A)
CMC (RFR)
ACMC
DON CIO
CNO (N09B17)
CNO (N4B)
VCNO
NAVINGEN (NAVIG-4)
Air Force Audit Agency (AFAA/DO)
COMLANTFLT (N00IG3)
COMPACFLT (CPF N00IGRRD)
PWCSO 09A

Table of Contents

<u>Executive Summary</u>	<u>1</u>
<u>Overview and Conclusions</u>	<u>1</u>
<u>Corrective Actions</u>	<u>2</u>
<u>Section A: Introduction.....</u>	<u>3</u>
<u>Background.....</u>	<u>3</u>
<u>Objective.....</u>	<u>3</u>
<u>Scope and Methodology</u>	<u>3</u>
<u>Section B: Finding, Recommendations, and Corrective Actions</u>	<u>5</u>
<u>Fleet Credit Card Gasoline Purchases.....</u>	<u>5</u>
<u>Section C: Status of Recommendations and Potential Monetary Benefits</u>	<u>12</u>
 Exhibit	
<u>Activities Visited/Contacted</u>	
 Appendices:	
<u>1: Response from Commander, Naval Facilities Engineering Command</u>	
<u>2: Response from Director, DON eBusiness Operations Office</u>	

Executive Summary

Overview and Conclusions

The Navy Fleet Credit Card (FCC) Program is intended to reduce procurement costs and facilitate and standardize the use of a safe, effective, convenient, and commercially available method to pay for fuel and maintenance services provided to fleet vehicles¹ by commercial service stations. While credit cards are convenient, senior Department of Defense (DoD) officials have expressed concern about credit card misuse in general. The Defense Energy Support Center is the Program Management Office for the DoD FCC Program. Within the Navy, the Naval Facilities Engineering Command (NAVFAC) has management responsibility for the FCC Program.² As of 18 June 2002, about 19,200 FCCs had been issued to Navy activities. During Fiscal Years (FYs) 2000 and 2001, FCCs were used by 358 Navy activities to purchase about \$8.6 million of gasoline for Navy fleet vehicles.

The audit objective was to determine whether internal controls used to manage the Navy's FCC Program were sufficient to identify fraud, waste, and misuse. The scope of the audit was limited to FCC gasoline purchases. We found FCCs had been used for purchases of high-octane grade gasoline³ when lower cost regular- or minimum-octane grade gasoline should have been purchased. We found a lack of Navy-wide policy, instruction, guidance, and training regarding the management and use of FCCs contributed to the uneconomical purchases of high-octane grade gasoline. During FYs 2000 and 2001, Navy FCC purchases of high-octane grade gasoline totaled about \$1.6 million. Given an estimated 10 percent average price differential between high-octane and minimum-octane grade gasoline, we calculated that purchasing high-octane grade gasoline increased fuel expenditures by as much as \$160,000 during FYs 2000 and 2001. Representatives of some activities contacted during our audit informed us of a need for high-octane grade gasoline for fleet vehicles such as those used for testing and research. However, a majority of the activity representatives contacted indicated that none of their vehicles required high-octane grade gasoline. While the precise amount of savings is not determinable, we estimated that reduced FCC purchases of high-octane grade gasoline in FYs 2000 and 2001 would have resulted in reduced outlays for gasoline approaching \$160,000.

Followup work on a prior audit of the management of credit card programs at two Navy activities indicated that, at one of the activities, action was needed and had been taken to improve control over FCC transactions. However, based on the results of this audit, we

¹ Fleet vehicles as used herein refer to vehicles that are owned or are under individual lease by military Services and DoD agencies.

² Navy plans to move FCC Program management responsibilities from NAVFAC to the DON eBusiness Operations Office.

³ High-octane grade gasoline herein refers only to midgrade and premium-grade gasoline, not to regular or minimum-octane grade gasoline.

believe FCC program management could be improved at this and other Navy activities through training and issuance of Navy-wide guidance on management of the FCC Program. We found Navy fleet managers and agency program coordinators (APCs)⁴ did not always have access to the contractor's FCC database maintained by a commercial bank to monitor and review purchase records and reports. Purchase receipts were not always received by APCs to identify inappropriate fuel purchases. Without monitoring FCC purchases, Navy activities increase their risk of making payments for unauthorized or questionable purchases.

Corrective Actions

To correct the conditions noted in this report, we recommended that the Commander, NAVFAC: (1) develop and issue an FCC instruction to provide Navy-wide guidance on policies and procedures regarding the use of FCCs; (2) develop steps to ensure that APCs receive training on day-to-day management of the FCC Program, their oversight responsibilities, and usage of the contractor's FCC database system to enhance monitoring of FCC purchases; (3) develop steps to ensure that FCC users receive training on their FCC Program responsibilities, including proper and allowable FCC purchases; and (4) issue interim guidance to reemphasize the NAVFAC P-300 requirement regarding the purchase of regular-octane grade gasoline.

The Commander, NAVFAC provided responses to our recommendations and stated that corrective actions would be taken on all recommendations. However, since NAVFAC is now in the final stages of transferring central management responsibility for the FCC Program to the eBusiness Operations Office (EBUSOP), NAVFAC coordinated its responses with the EBUSOP. NAVFAC and EBUSOP have informed us that the EBUSOP will be responsible for implementing the corrective actions described in the NAVFAC response for Recommendations 1, 2, and 3, and NAVFAC will be responsible for Recommendation 4. The complete text of the NAVFAC and EBUSOP responses are in Appendices 1 and 2, respectively.

⁴ APCs are agency personnel who act as liaisons between the fleet card contractor and agency cardholders.

Section A

Introduction

Background

In June 1998, the Defense Energy Support Center awarded a standard task order to a commercial bank to provide the Department of Defense (DoD) and the military Services with a Fleet Credit Card (FCC) Program. This task order was awarded under the provisions of a master Government contract issued in February 1998 by the General Services Administration. The purpose of the FCC Program is to provide a low-cost, efficient means for obtaining fuel and related maintenance services for DoD fleet vehicles from commercial service stations. The DoD FCC is the only credit card authorized by DoD for obtaining fuel supplies and services from commercial service stations. In Fiscal Years (FYs) 2000 and 2001, Navy activities used the FCC to purchase about \$8.6 million of gasoline from commercial service stations for its vehicle fleet.

The Defense Energy Support Center is the Program Management Office for the DoD FCC Program. The Naval Facilities Engineering Command (NAVFAC) is responsible for managing the Navy FCC Program.⁵ Within Navy agencies and activities, agency program coordinators (APCs) provide the day-to-day control and oversight of the FCC Program. APCs assign FCCs to personnel, fleet vehicles, or organizations based on need. FCC services are provided to the Navy by a commercial bank that uses a computerized software system to maintain and provide detailed information on fuel and other purchases made using FCCs. Information from the commercial bank database indicated that about 19,200 active FCCs have been issued to Navy activities as of 18 June 2002. DoD and NAVFAC directives, regulations, and publications provide guidance concerning the efficient operation of DoD fleet vehicles, including the selection and application of fuels.

Objective

The audit objective was to determine whether the internal controls used to manage the Navy's FCC Program were sufficient to identify fraud, waste, and misuse.

Scope and Methodology

During our audit, the commercial bank database identified 358 Navy activities that had purchased gasoline in FYs 2000 and 2001 through the FCC Program. We judgmentally selected 12 activities, identified in the Exhibit, for testing FCC Program internal controls. Eight activities were selected because of their high dollar value of high-octane grade gasoline purchases or their high percentage of high-octane grade gasoline purchases in

⁵ Navy plans to move FCC Program management responsibilities from NAVFAC to the DON eBusiness Operations Office.

relation to total gasoline purchases. Two of the activities were selected because of the large number of FCCs that had been issued at the activities.

Of the two remaining activities, one was selected to followup on the effectiveness of action taken to correct the credit card control weakness identified during a previous audit at the activity. The other activity was selected for audit because a Government contractor located at the activity administered the FCC Program.

Program information was obtained through onsite and phone interviews, Internet, and other electronic systems. Audit fieldwork was primarily conducted from November 2001 to August 2002. The audit began on 8 November 2001 and ended 15 July 2003. Our audit focused on Navy FCC gasoline purchases that occurred during FYs 2000 and 2001. The commercial bank records provided information on both total gasoline and grade of gasoline purchases made by each activity using FCCs. We compared purchase information with gasoline grade requirement information provided by representatives at nine activities contacted during the audit. We relied on the accuracy of gasoline purchase information contained in the commercial bank's FCC database, since the bank was under contract to provide detailed fuel consumption information.

To determine the effectiveness of Navy internal controls over the FCC Program, we reviewed Federal, DoD, and Navy directives, regulations, instructions, and publications related to the management of the FCC and other Government credit card programs. We interviewed responsible program managers at the Defense Energy Support Center and contract officers at NAVFAC. We also interviewed APCs at the 12 Navy activities included in our audit. We obtained information on training provided to APCs and FCC users at 9 of 12 activities. Since we had not requested training information from the first three activities visited in the audit, no training information was obtained from them. We discussed the monitoring and review of fuel purchase records and the collection of purchase receipts with APCs.

The audit was conducted in accordance with generally accepted government auditing standards. The Naval Audit Service is an independent internal audit organization reporting to the Under Secretary of the Navy.

Follow-up on Prior Audits

The Naval Audit Service Report titled "Commercial Credit Card Programs at Naval Air Warfare Center Aircraft Division (010-99)," issued 27 November 1998, included a finding that one of two activities visited during the audit did not reconcile monthly credit card invoices against purchase receipts as required by an activity instruction. As a result, invoices were paid without reconciliation or verification of charges made. The activity's Commanding Officer concurred with the finding and issued a local instruction requiring the activity's transportation representative to review credit card receipts for unusual or uneconomical purchases prior to forwarding the receipts to the Public Works Transportation Office. However, our audit work at 12 Navy activities during this audit, which included this activity, indicated that Navy-wide guidance and training are needed to improve management control of FCC Program purchases.

Section B

Finding, Recommendations, and Corrective Actions

Finding

Fleet Credit Card Gasoline Purchases

Synopsis

Navy activities used Fleet Credit Cards (FCCs) to purchase high-octane grade gasoline from commercial service stations for Navy fleet vehicles when purchases of more economical, regular-octane grade gasoline should have been made. During Fiscal Years (FYs) 2000 and 2001, FCCs were used to purchase \$8.6 million of gasoline for Navy fleet vehicles, of which about \$1.6 million was for high-octane grade gasoline. Department of Defense (DoD) and Navy regulations and instructions require fleet vehicles to be operated in an efficient, economical manner using the minimum octane rating recommended by the vehicle manufacturer. Based on an estimated 10 percent price differential between high-octane grade and regular-octane grade gasoline, the purchase of \$1.6 million of high-octane grade gasoline increased fuel expenditures by as much as \$160,000 during the 2-year purchase period covered by the audit. Although the precise amount of savings is not determinable, the purchase of regular-grade gasoline would have resulted in savings on fleet vehicle operating costs. With the exception of unavoidable special need purchases⁶ of high-octane grade gasoline, the purchase of high-octane grade gasoline was the result of inadequate training regarding allowable FCC purchases, as well as inadequate FCC policy and guidance and monitoring of fuel purchases by Navy management.

Discussion of Details

Background and Pertinent Guidance

In June 1998, the Defense Energy Support Center (DESC) awarded a standard task order to a commercial bank to provide fleet credit card services for DoD vehicles. The DoD FCC Program is a Government-sponsored, commercial bank-issued credit card that facilitates and standardizes the use of a safe, effective, convenient, and commercially available method to pay for fuel and related maintenance for DoD fleet vehicles at commercial service stations. FCC is the only credit card authorized by DoD for obtaining fuel and services for DoD vehicles from commercial service stations. Within the Navy, the Naval Facilities Engineering Command (NAVFAC) is responsible for

⁶ Three of the nine activities contacted during the audit told us that a small number of their vehicles did in fact require high-octane gasoline.

managing the FCC Program.⁷ The commercial bank provides the Navy with FCC and related financial record services. The commercial bank FCC records indicate that Navy activities used the FCC to purchase about \$8.6 million of gasoline at commercial service stations to fuel Navy fleet vehicles during FYs 2000 through 2001.

DoD and NAVFAC have published guidance that could be used to provide the groundwork for establishing internal controls over the FCC Program. DoD Directive 5010.38, "Management Control (MC) Program," issued 26 August 1996, requires each DoD component to implement management controls to assure that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. The directive adds that DoD components should provide managers throughout their organization with training consistent with their responsibilities. DoD Regulation 4500.36-R, issued 29 March 1994, promotes fuel-efficient operation of DoD fleet vehicles through the establishment and conduct of training programs that promote fuel economy to include the purchase of fuel with the minimum octane rating recommended by the vehicle manufacturer that will not result in engine knock. NAVFAC Publication P-300, dated May 1997, which provides procedures for the administration, operation, and maintenance of transportation equipment, states in paragraph 3.17 that each activity responsible for fuel management should establish procedures to ensure adequate fuel accountability. Paragraph 3.18.2 states that "unless specified by the engine manufacturer, regular-grade unleaded gasoline will be used."

NAVFAC has not issued policy or guidance defining responsibilities for the management and oversight of the FCC Program. However, the commercial bank developed an FCC manual that was designed to be a reference guide detailing the processes and procedures used in the management of FCC. The manual provides detailed guidance on respective responsibilities of FCC users and Agency Program Coordinators (APCs). The manual states that FCC users are responsible for understanding agency policies and procedures related to credit card purchases and recordkeeping requirements, and retaining the merchant's receipt as proof of purchase and verification of purchases shown on the periodic statement of charges. The manual also states that APCs or fleet managers reconcile bank invoices in accordance with FCC accounts. However, NAVFAC has not issued policy or guidance defining responsibilities for FCC users and APCs.

Audit Results

Purchases of High-Octane Grade Gasoline

There is no Navy-wide guidance for managing the FCC Program. In FYs 2000 through 2001, Navy-wide activities used the FCC to purchase \$8.6 million of gasoline from commercial service facilities for its vehicle fleet. Of the \$8.6 million, \$1.6 million was used to purchase high-octane grade gasoline even though NAVFAC P-300 states that,

⁷ Navy plans to move FCC Program management responsibilities from NAVFAC to the DON eBusiness Operations Office.

unless specified by the engine manufacturer, regular-grade unleaded gasoline will be purchased for Navy motor vehicles.

We obtained FCC gasoline purchase information from all 12 Navy activities contacted during our audit. However, we only obtained gasoline octane grade requirements information from nine activities. At six of the nine activities, the APCs or other responsible personnel informed us that none of the fleet vehicles required high-octane grade gasoline. At these six activities, purchases of high-octane grade gasoline ranged from 7 to 63 percent of their total FCC gasoline purchases. At three of these six activities, high-octane grade gasoline purchases exceeded 20 percent of their total FCC purchases. At two activities, we were informed that some vehicles required high-octane grade gasoline. High-octane grade gasoline purchases at these activities made up about 13 percent and 71 percent of their total FCC gasoline purchases. At the remaining activity, we were informed that some vehicles were used in tests and research and required high-octane fuel. High-octane grade gasoline purchases at this activity made up 26 percent of their total FCC gasoline purchases.

Based on information made available by the Department of Energy for the Fiscal Years 2000 and 2001, the average price difference between regular- and high-octane gasoline is about 10 percent. Using the estimated 10 percent price differential between regular-octane and high-octane grade gasoline, we calculated that purchasing regular-octane grade gasoline instead of the \$1.6 million of high-octane grade gasoline purchased during FYs 2000 and 2001 would have reduced gasoline expenditures by an amount approaching \$160,000. As previously noted, representatives of three of the nine activities contacted informed us that some of the high-octane purchases were, in fact, required. However, at six of the nine activities contacted at which high-octane grade gasoline was purchased, activity representatives informed us that no fleet vehicles required high-octane grade gasoline.

APCs at 5 of the 12 Navy activities visited/contacted told us that FCC purchase receipts were not reconciled with the contractor's monthly invoices. An APC at another activity indicated that the activity reconciled FCC purchase receipts, but it did not receive all FCC purchase receipts. As a result, payments were being made to the commercial bank without verifying that the contractor's monthly invoice of FCC transactions contained transactions that were made, authorized, or allowable. Without monitoring FCC purchases, Navy activities increase their risk of making payments for unauthorized or questionable charges.

Reasons for Uneconomical Purchases of High-Octane Grade Gasoline

While the NAVFAC has published guidelines for the efficient management of transportation equipment, there is no Navy-wide policy and guidance for managing the FCC Program. APCs at 9 of the 12 Navy activities visited/contacted stated that FCC users had received little or no training on authorized or allowed uses of FCCs, and that they themselves had received little or no training on administering the FCC Program.

Training for FCC users was to consist of an instruction guide, videos, and newsletters. Under the terms of the DoD FCC contract, the commercial bank, at the request of the agency/organization, is required to provide APCs or other responsible individuals with onsite classroom training. Other training was to include videos, training materials and newsletters focusing on APC responsibilities, and the use of a commercial database system to monitor FCC purchases. However, APCs at each of the 12 activities visited/contacted stated that they did not have access to the commercial bank database system to monitor FCC purchases.

Other Matters

Naval Supply Systems Command Instruction 4200.94, "Department of the Navy Policies and Procedures for the Implementation of the Government Commercial Purchase Card Program," published 29 June 1999, defined roles and responsibilities within the purchase card program and provided guidance regarding use of Government purchase cards and procedures and responsibilities for reconciling purchase card accounts. Naval Supply Systems Command Instruction 4200.94 was superseded on 19 September 2002 by DON eBusiness Operations Office Instruction 4200.1, "Department of the Navy Policies and Procedures for the Operation and Management of the Government Commercial Purchase Card Program." This instruction states that activities establishing local purchase card programs should develop internal operating procedures that include specific guidance on the reconciliation, verification, and certification of the cardholder's statement and official invoice. While the Navy has detailed policy for its Purchase Card Program, it has not established similar policy and guidance for the FCC Program.

Impact of Fleet Credit Card Purchases of High-Octane Grade Gasoline

Although a precise savings figure is not determinable, had Navy activities used FCCs to purchase minimum-octane grade gasoline from commercial stations rather than purchasing \$1.6 million of high-octane grade gasoline in FYs 2000 and 2001, the Navy could have reduced fuel expenditures by an amount approaching \$160,000 during that 2-year period.⁸ Similar savings could occur in the future, given the issuance of guidance to reemphasize a requirement to purchase regular-octane grade gasoline, as noted in the recommendation section in this report.

Management Controls

We audited internal controls and compliance with regulations related to Navy's FCC Program. We found the Navy had not established adequate internal controls to ensure that Navy FCC purchases were made in accordance with Federal, DoD, and Navy

⁸ We believe it is likely that the actual reduction in fuel expenditures would have been less than the \$160,000 noted. Although we did not obtain the information necessary to estimate how much less, we were told at three of the nine activities contacted that a small number of their vehicles required high-octane gasoline, while at six of the nine we were told that none of their vehicles required high-octane grade gasoline.

regulations and instructions. During our audit, we identified uneconomical FCC purchases of high-octane grade gasoline and a lack of guidance related to FCC purchases. We believe that the four recommendations that follow should improve management controls over FCC purchases.

Recommendations

We recommended the Commander, NAVFAC:

1. Develop and issue an FCC instruction to provide Navy-wide guidance on policies and procedures regarding the use of FCCs.
2. Develop steps to ensure that APCs receive training on day-to-day management of the FCC Program, their oversight responsibilities, and the usage of the contractor's FCC database system to enhance monitoring of FCC purchases.
3. Develop steps to ensure that FCC users receive training on their FCC Program responsibilities, including proper and allowable FCC purchases.
4. Issue interim guidance to re-emphasize the NAVFAC P-300 requirement regarding the purchase of regular-octane grade gasoline.

Corrective Actions

The Commander, NAVFAC provided responses to our recommendations and stated that corrective actions would be taken on all recommendations. However, since NAVFAC is now in the final stages of transferring central management responsibility for the FCC Program to the eBusiness Operations Office (EBUSOP), NAVFAC coordinated its responses with the EBUSOP. NAVFAC and EBUSOP have informed us that the EBUSOP will be responsible for implementing the corrective actions described in the NAVFAC response for Recommendations 1, 2, and 3, and NAVFAC will be responsible for Recommendation 4. NAVFAC'S responses are provided below with our comments. The complete text of the NAVFAC and EBUSOP responses are in [Appendixes 1](#) and [2](#), respectively.

NAVFAC response to Recommendation 1. Concur. NAVFAC and EBUSOP are in the final stages of transferring central management responsibility from NAVFAC to the eBusiness Office effective on or before 30 September 2003. DoD generic guidance is already available from the Defense Energy Support Center (DESC) on their website (<http://www.desc.dla.mil>). The need for a Navy-specific instruction for use of the FCC is acknowledged and will be jointly developed by the EBUSOP and NAVFAC, considering the guidance already available from DESC. This instruction will be published as a separate, stand-alone document and will additionally be incorporated into NAVFAC P-300 (Management of Civil Engineering Support Equipment) by reference. I

nstruction will be published by 30 March 2004. EBUSOP will take action to issue the instruction.

Naval Audit Service comment on response to Recommendation 1. Action planned by NAVFAC and EBUSOP satisfies the intent of the recommendation. We consider this recommendation open and request EBUSOP notify us of the recommendation status within the time periods noted in the memo transmitting this report.

NAVFAC response to Recommendation 2. Concur. Currently, the credit card company offers APCs training regarding the FCC responsibilities at the Smart Pay conference and other conferences throughout the year. They provide training booths/labs where individual fleet APCs may receive both basic and refresher training. Additionally, the credit card company has had occasions to provide on-site training for customers upon request. The credit card company training will be reviewed by EBUSOP and after program transition, supplemented with training as deemed necessary. EBUSOP will take action on development of a Navy manual, if needed. Target completion date is 30 September 2004.

Naval Audit Service comment on response to Recommendation 2. Action planned by EBUSOP satisfies the intent of the recommendation. We consider this recommendation open and request EBUSOP notify us of the recommendation status within the time periods noted in the memo transmitting this report.

NAVFAC response to Recommendation 3. Concur. All cardholders receive a “drivers guide,” which is a pamphlet telling them about the card and how to use it. Other than that, the credit card company does not provide training to the individual cardholders unless requested. They do, however, provide phone assistance training. There is a toll-free number on the card to call for instructions or if they have questions. EBUSOP will review existing training after program transition and develop the training necessary for APCs to effectively train FCC users on proper card usage. This will include instructions on Navy-wide FCC use, monitoring and reporting policies. EBUSOP will take action on developing the FCC training program. Target completion date is 30 September 2004.

Naval Audit Service comment on response to Recommendation 3. Action planned by EBUSOP satisfies the intent of the recommendation. We consider this recommendation open and request EBUSOP notify us of the recommendation status within the time periods noted in the memo transmitting this report.

NAVFAC response to Recommendation 4. Concur. Guidance/policy currently included in NAVFAC P-300 (i.e., “Unless specified by the engine manufacturer, regular grade unleaded gasoline will be used.”) will be emphasized in an ALLNAV Naval message issued by NAVFAC. Also, specific articles will be included in NAVFAC Transportation Equipment Management Center newsletters, which are distributed about every 4 months to all Navy fleet managers. Other key aspects of FCC use/abuse will also

be re-emphasized in the message and newsletter articles (e.g., use of self-service pumps and use the card only for approved products and services). NAVFAC will take full action. Target completion date is 31 December 2003.

Naval Audit Service comment on response to Recommendation 4. Action planned by NAVFAC satisfies the intent of the recommendation. We consider this recommendation open and request NAVFAC notify us of the recommendation status within the time periods noted in the memo transmitting this report.

Section C

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS							MONETARY BENEFITS (In \$000s)				
¹ Find- ing	Rec. No.	Page No.	Subject	² Status	Action Command	Target Completion Date	³ Cate- gory	Claimed Amount	Agreed To	Not Agreed To	⁴ Appro- priation
1	1	9	Develop and issue an FCC instruction to provide Navy-wide guidance on policies and procedures regarding the use of FCCs	O	Director, DON eBusiness Operations Office	03/30/2004					
1	2	9	Develop steps to ensure that APCs receive training on day-to-day management of the FCC Program, their oversight responsibilities, and the usage of the contractor's FCC database system to enhance monitoring of FCC purchases	O	Director, DON eBusiness Operations Office	09/30/2004					
1	3	9	Develop steps to ensure that FCC users receive training on their FCC Program responsibilities, including proper and allowable FCC purchases	O	Director, DON eBusiness Operations Office	09/30/2004					
1	4	9	Issue interim guidance to re-emphasize the NAVFAC P-300 requirement regarding the purchase of regular-octane grade gasoline	O	Commander of Naval Facilities Engineering Command	12/31/2003	C				

1/ + = Indicates repeat finding

2/ O = Recommendation is open with agreed-to corrective actions pending; C = Recommendation is closed with all agreed-to action completed; U = Recommendation is undecided, with resolution efforts in progress

3/ A = One-time potential funds put to better use; B = Recurring potential funds put to better use for up to 6 years; C = Indeterminable/immeasurable

4/ = Includes appropriation (and subhead if known)

Exhibit

Activities Visited/Contacted

Activities Visited

Naval Station Norfolk, VA

Naval Air Station Patuxent River, MD

Washington Naval Shipyard, Washington, DC

Activities Contacted

Naval Station San Diego, CA

Naval Station Pearl Harbor, HI

Naval Air Station Key West, FL

Naval Exchange Service Command, Virginia Beach, VA

Naval Air Station Jacksonville, FL

Naval Training Center Great Lakes, MI

Naval Special Warfare Development Group, Virginia Beach, VA

Explosive Ordnance Disposal Mobile Unit, North Charleston, SC

Contractor Office, Naval Air Station Jacksonville, FL



DEPARTMENT OF THE NAVY

NAVAL FACILITIES ENGINEERING COMMAND
WASHINGTON NAVY YARD
1322 PATTERSON AVENUE SE SUITE 1000
WASHINGTON DC 20374-5065

IN REPLY REFER TO

7500
IG2/03-42
04 Sep 2003

From: Commander, Naval Facilities Engineering Command
To: Assistant Auditor General for Installations and Environment Audits
Subj: NAVAUD AUDIT REPORT (N2001-0169) 15 JULY 2003 (MANAGEMENT OF THE
FLEET CREDIT CARD PROGRAM)

Encl: (1) NAVFAC Response to Audit Recommendations dated 4 Sep 03

1. Enclosure (1) provides follow-up response to recommendations (1), (2), (3), and (4) of subject audit.
2. My staff point of contact is Kenneth Jackson, at (202) 685-9112, e-mail {kenneth.g.jackson@navy.mil}.


D. K. LYNN
Inspector General

Copy to:
DON E-Business Operations Office

NAVFAC Response To Audit Report Recommendations:

Recommendations:

04 Sep 03

We recommend the Commander, NAVFAC:

1. Develop and issue a FCC (Fleet Credit Card) instruction to provide Navy-wide guidance on policies and procedures regarding the use of FCCs.

NAVFAC response: Concur. NAVFAC and the DON eBusiness Office are in the final stages of transferring central management responsibility from NAVFAC to the eBusiness Office effective on or before 30 September 2003. DOD generic guidance is already available from Defense Energy Support Center (DESC) on their website (DESC.DLA.MIL). The need for a Navy-specific instruction for use of the FCC is acknowledged and will be jointly developed by the DON eBusiness Operations Office and NAVFAC, considering the guidance already available from DESC. This instruction will be published as a separate, stand-alone document and will additionally be incorporated into the NAVFAC P-300 (Management of Civil Engineering Support Equipment) by reference. Instruction will be published by 30 March 2004. DON eBusiness Office will take action to issue the instruction.

2. Develop steps to ensure that APCs (Activity Program Coordinators) receive training on day-to-day management of the FCC Program, their oversight responsibilities, and the usage of the contractor's FCC database system to enhance monitoring of FCC purchases.

NAVFAC response: Concur. Currently, the credit card company offers APCs training regarding the FCC database system, as well as, daily management and oversight responsibilities at the Smart Pay Conference and other conferences throughout the year. They provide training booths/labs where individual fleet APCs may receive both basic and refresher training. Additionally, the credit card company has had occasions to provide on-site training for customers upon request. The credit card company training will be reviewed by DON eBusiness Operations Office and after program transition supplemented with training as deemed necessary. DON eBusiness Office will take action on development a Navy training manual, if needed. Completion date 30 September 2004.

3. Develop steps to ensure that FCC users receive training on their FCC Program responsibilities, including proper and allowable FCC purchases.

NAVFAC response: Concur. All new cardholders receive a 'Drivers Guide', which is a pamphlet telling them about the card and how to use it. Other than that, the credit card company does not provide training to the individual cardholders unless requested. They do, however, provide phone assistance training. There is a toll free number on the card to call for instructions or if they have questions.

The DON eBusiness Operations Office will review existing training after program transition and develop the training necessary for APCs to effectively train FCC users on

proper card usage. This will include instructions on Navy-wide FCC use, monitoring and reporting policies. DON eBusiness Office will take action on developing the FCC training program. Completion date 30 September 2004.

4. Issue interim guidance to re-emphasize the NAVFAC P-300 requirement regarding the purchase of regular-octane grade gasoline.

NAVFAC response: Concur. Guidance/policy currently included in NAVFAC P-300 (i.e., "Unless specified by the engine manufacturer, regular grade unleaded gasoline will be used.") will be emphasized in an ALLNAV Naval message issued by NAVFAC; also specific articles will be included in NAVFAC Transportation Equipment Management Center newsletters, which are distributed about every four months to all Navy fleet managers. Other key aspects of FCC use/abuse will also be re-emphasized in the message and newsletter articles (e.g., use of self service pumps and use the card for only approved products and services). NAVFAC will take for action. Completion date 31 December 2003.

From: Woods, Dianne R CIV
Sent: Tuesday, September 09, 2003 16:15
To:
Cc:
Subject: FW: NAVFAC RESPONSES TO RECOMMENDATIONS IN THE FLEET CREDIT CARD
AUDIT REPORT (N2001-0169)

NAVFAC coordinated their response with the eBusiness Operations Office, and our office agrees with NAVFAC's proposed actions. We have agreed to issue a Navy instruction (with assistance from NAVFAC) and develop computer based training for both APCs and FCC users.

VR,
Dianne Woods
Department of the Navy
eBusiness Operations Office
5450 Carlisle Pike, P.O. Box 2050
Mechanicsburg, PA 17055-0791